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New loan programs available to farmers

By ALLEN BLAIR - The Independent

Posted: 05/15/05 - 11:48:53 pm EDT

FRANKFORT Farmers needing low-interest loans to build barns or looking for a quicker produce check can get that help this year, thanks to two new state loan programs.

At its May meeting, the Kentucky Agricultural Finance Corporation (KAFC) approved two new programs: the Agricultural Infrastructure Loan Program and the Producer Accelerated Payment Program.

Infrastructure loans, at 2 to 3 percent interest, would finance buildings or structures with attached equipment for agricultural uses only.

The payment program would allow produce growers and others, who normally wait 60 to 90 days for crop payments, to access cash sooner.

Myron Evans, Carter County agricultural extension agent, said the infrastructure loans hold a lot of promise for area farmers, especially as many struggle to diversify away from tobacco.

Many have asked for tobacco settlement money to build tobacco structures, but that's not been allowed because the money was earmarked for diversification,

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Evans said.

There is a need for farmers, particularly tobacco farmers if they want to become more efficient, to build up facilities; then all the other farmers who are not producing any more are getting into something else, he said.

"So any type of low-interest loan is very much needed by farmers," Evans said. "Tobacco farmers diversifying or somebody getting into something else, all of this takes quite a bit of money."

The Agricultural Infrastructure Loan Program (AILP) is designed to help Kentucky agricultural producers with a history of tobacco involvement finance long term projects that will improve their financial viability, the state says.

Applicants must receive at least 20 percent of their gross income from farming, and provide documentation of a recent history in tobacco. The KAFC portion of the AILP loan cannot exceed \$100,000 or 50 percent of the project.

Eligible projects will include but not be limited to livestock and poultry barns, grain storage facilities, greenhouses, tobacco barns, ponds and other projects at the discretion of the KAFC board. The AILP cannot be used for operating expenses or to refinance existing debt.

The KAFC has set an initial interest rate of 2 percent for AILP loans, originating from a participating lender; this rate can be fixed for up to 10 years. The lender will be allowed to charge the borrower up to an additional 0.75 percent interest on KAFC's portion of the loan for origination and servicing. Additional financing will be at the lender's normal rate. For applications without bank participation, the rate will be 3.75 percent and additional conditions must be met. All loans will be approved at the discretion of the KAFC board of directors.

The Producer Accelerated Payment Program (PAPP) is designed to offer farmers the ability to get advance payments of up to 75 percent of wholesale value of their products, the state said.

The program is available to any wholesale marketer of Kentucky-grown agricultural commodities. The KAFC will require the marketer to pledge their accounts receivables as security for the loan, and the funds will be managed by a third party administrator. This program will allow produce growers and other producers who normally wait 60 to 90 days for payment to get a substantial portion of their income much earlier.

For more information, contact Tim Hughes, KAFC marketing and business development coordinator, at (502) 564-4627 or visit the KAFC Web site at <http://kafc.ky.gov>.

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